

Wafangdian Bearing Company Limited

Announcement Relating to Debt Reorganizations During Normal Operation of Business Involving Partial Related Transactions(update announcement)

The Company, all the members of the Board of Directors, supervisors and top management hereby guarantee the truth, accuracy and completeness of the information disclosure, no any false records, misleading statements and major missing contents.

I. Overview of debt restructuring

1. In order to optimize the corporate debt structure and improve the efficiency of fund use, Wafangdian Bearing Company Limited (hereinafter referred to as “the Company”) carried out clean-up work on the payables of the daily operations of the company from January to June 2018. During this period, the Company signed the “Debt Restructuring Agreement” with 17 suppliers including ZWZ Bearing Precision Forging Co., Ltd. and Dalian Haokun Construction Engineering Co., Ltd. After friendly negotiation, the suppliers of this part agreed to make concessions on the Company’s daily operating debt, and the above-mentioned business achieved debt restructuring income of 1,456,952.01 Yuan for the Company;

2. The Company and Guodian United Power Technology (Baotou) Co., Ltd. signed the Debt Restructuring Agreement. After friendly negotiation, the company made concessions to the bearing receivables owed by United Power to the Company, and the above-mentioned business made debt restructuring losses of 85,383.59 Yuan for the Company.

The above business has affected the company’s current profit and loss for the year 2018 of 1,371,568.42 Yuan.

3. As the seven suppliers including ZWZ Bearing Precision Forging Co., Ltd. are the wholly-owned subsidiaries of the Company’s largest shareholder, the transactions involving this part constitute the related transactions.

4. The proposal was reviewed and unanimously approved by the 7th meeting of the seventh board of directors of the company. When the consideration involving related transactions, the related directors, Meng Wei, Sun Maolin, Zhao Yang, Zhang Xinghai, Chen Jiajun and Sun Najuan, avoided the consideration, other directors all voted yes for this matter, there was no negative vote nor abstention vote. The independent directors of the company issued an independent directors’ opinion on this matter.

5. According to Article 9.3 (5) of the Stock Listing Rules of the Shenzhen Stock Exchange: the provision

that if “the profit generated by the transaction accounts for more than 50% of the audited net profit of the listed company in the most recent fiscal year, and the absolute amount exceeds 5 million Yuan”, it is necessary to submit to the shareholders’ meeting for consideration. This debt restructuring does not constitute a “transaction that should be submitted to the shareholders’ meeting for consideration”, nor does it constitute a major asset restructuring as stipulated in the Administrative Measures for the Major Reorganization of Listed Companies.

6. According to the shenzhen stock exchange "stock listing rules" article 10.2.5: and associated transactions of listed companies, listed companies with cash assets and guarantee except) amount is in thirty million yuan of above, and the absolute values of the listed company's latest audited net assets more than 5% of the related party transactions, besides shall be disclosed in a timely manner, and shall, according to article 9.7 of the rules of the hiring has engaged in securities and futures related business qualification of intermediary organizations, to evaluate trade mark or auditing, a deal and will be submitted to the shareholders meeting. The related debt restructuring take 2.17% of the net asset of 2017 after audited which does not constitute "a transaction to be considered at the general meeting of shareholders".

7. This debt restructuring is a debt restructuring of the nature of daily operation, there is no major legal obstacles in the implementation of each party.

II The basic situation of the debt restructuring party

1. There are a total of 17 suppliers and one customer involved in this debt restructuring. The debt restructuring that the company agreed with the related parties and the debt restructuring that the company agreed with the third-party suppliers are independent and are not each other’s premise, and do not constitute one package deal.

2. There is no possibility that the debt restructuring party has other relationships with the company and the top ten shareholders of the company in the property rights, business, assets, credit and debt, personnel, etc. which may or may have caused the company to incline to its interests or caused it to incline to the company’s interests. The company carries through all the debt restructuring in a fair, just and non-discriminatory manner. Among them, the basic situation of suppliers are as follows:

(i) ZWZ Precision Forging Co., Ltd.

1. Type of Enterprise: Limited Liability Company

2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Wang Longjie
4. Registered Capital: 24.45 million Yuan
5. Date of Establishment: June 16, 2004
6. Business Scope: forging products processing, mechanical parts processing; forging equipment maintenance; forging annealing; forging process design; sales of metal materials
7. Main financial indicators as of December 31, 2017: total assets of 401,671,000 Yuan, total liabilities of 241,560,300 Yuan, net assets of 160,110,700 Yuan; on December 31, 2017, accumulated operating income of 546,231,300 Yuan, and net profit of 3,948,700 Yuan.
8. Not the dishonest person subjected to execution

(ii) Wafangdian Bearing Group Windpower Bearing Co., Ltd.

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Zhang Xinghai
4. Registered Capital: 200 million Yuan
5. Date of Establishment: June 13, 2007
6. Business Scope: bearing manufacturing and sales; housing and mechanical equipment leasing; import and export of goods and technology; research and development and information of windpower bearing technology; operation and maintenance of wind turbines (except for projects prohibited by laws and administrative regulations; projects restricted by laws and administrative regulations can be operated after obtaining the license) (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indicators as of December 31, 2017: total assets of 892,254,200 Yuan, total liabilities of 473,463,600 Yuan, net assets of 418,790,500 Yuan; on December 31, 2017, accumulated operating income of 335,259,700 Yuan, and net profit of 12,768,300 Yuan.
8. Not the dishonest person subjected to execution

(III) Wafangdian Bearing Precision Rolling Element Co., Ltd.

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province

3. Legal Representative: Zhang Shiyin
4. Registered Capital: 20 million Yuan
5. Date of Establishment: September 1, 2016
6. Business Scope: Rolling body design, manufacturing and sales, housing, equipment rental (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indexes as of December 31, 2017: total assets: 115,056,200 yuan, total liabilities: 125,885,100 yuan, net assets: - 10,829,000yuan; On December 31, 2017, the accumulated operating income was 162,373,000yuan, and the net profit was -23,373,100 yuan.
8. Not the dishonest person subjected to execution

(IV) Dalian Wafangdian Bearing Group Bearing Equipment Manufacturing Co., Ltd.

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Chen Jiajun
4. Registered Capital: 16.736 million Yuan
5. Date of Establishment: June 14, 1996
6. Business Scope: Manufacture, transformation and maintenance of bearing equipment and various spare parts; Automation line engineering manufacture; Various machining equipment and maintenance; Manufacture and maintenance of bearing molds, measuring tools, cutting tools and instruments; Various types of CNC rotary table manufacturing; Electrical engineering construction, pipeline engineering construction and maintenance, industrial building lighting; Installation and maintenance of hydropower projects, and maintenance of buildings (if the above qualifications are involved, operating on the certificate of assets); installation and maintenance of construction machinery; Installation of various equipment; Various kinds of riveting welding processing. (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indicators as of December 31, 2017: Total assets were 92,589,600 yuan, total liabilities were 55,243,000 yuan and net assets were 37,346,600 yuan. On December 31, 2017, the accumulated operating income was 37,505,900 yuan and the net profit was -7,036,300yuan.
8. Not the dishonest person subjected to execution

(V) Wafangdian Bearing Precision Cage Co., Ltd.

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Zhang Shiyin
4. Registered Capital: 10 million Yuan
5. Date of Establishment: September 1, 2016
6. Business Scope: Maintenance rack design, manufacturing and sales, housing, equipment rental (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indexes as of December 31, 2017: total assets of 36,992,600 yuan, total liabilities of 33,660,000 yuan, net assets of 3,332,600 yuan; On December 31, 2017, the accumulated operating income was 70,750,700 yuan and the net profit was -4,118,200 yuan.
8. Not the dishonest person subjected to execution

(VI)Wafangdian Bearing Equipment Technical Engineering Co., Ltd.

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: No.1, Section 1, Beigongji Street, Wafangdian City, Liaoning Province
3. Legal Representative: Zhang Xinghai
4. Registered Capital: 3 million Yuan
5. Date of Establishment: June 1, 2012
6. Business Scope: Mechanical and electrical engineering installation, construction, mechanical equipment, equipment procurement, manufacturing, installation, sales (the above production according to the approval process of environmental protection, involving qualifications, operating by the certificate of assets) real estate, mechanical equipment sales and leasing; Non-financial asset management (above does not include financial and special examination and approval)(Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indexes as of December 31, 2017: total assets: 410,910,100 yuan, total liabilities: 36,003,800 yuan, net assets: 5,086,300 yuan; On December 31, 2017, the accumulated operating income was 11,776,200 yuan and the net profit was -32,000 yuan.
8. Not the dishonest person subjected to execution

(VII)Wazhou Group Precision Drive Bearing Co., Ltd.

1. Type of Enterprise: Limited Liability Company

2. Enterprise Address: Zhu Hua industrial park, Wafangdian City, Liaoning Province
3. Legal Representative: Zhao Yang
4. Registered Capital: 30 million Yuan
5. Date of Establishment: September 19, 2007
6. Business Scope: Manufacture and sale of bearings; Rental of housing, machinery and equipment (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indexes as of December 31, 2017: Total assets were 122,191,100 yuan, total liabilities were 79,156,100 yuan and net assets were 43,034,900 yuan. On December 31, 2017, the accumulated operating income was 79,212,400 yuan and the net profit was -16,352,900 yuan.
8. Not the dishonest person subjected to execution

(VIII) Wafangdian Bearing Group Engineering Technology Research Center Co., Ltd.

1. Type of Enterprise: Limited Liability Company
2. Enterprise Address: Bearing industrial park, Wafangdian City, Liaoning Province
3. Legal Representative: Wang Longjie
4. Registered Capital: 10 million Yuan
5. Date of Establishment: April 2, 2014
6. Business Scope: Bearing product design, process design, testing, computer application development, bearing special machine development design, scientific research consulting services (Projects subject to approval according to law can be carried out after approval by relevant departments)
7. Main financial indicators as of December 31, 2017: Total assets amounted to 39,496,700 yuan, total liabilities amounted to 29,355,200 yuan and net assets amounted to 10,141,500 yuan. On December 31, 2017, the accumulated operating income was 18,813,100 yuan and the net profit was 141,500 yuan.
8. Not the dishonest person subjected to execution

III Debt restructuring plan and the main contents of debt restructuring agreement

1. Debt formation

Accounting by the company and the financial personnel of 17 suppliers, the Company should pay the purchase payments and project funds for a total of RMB 37,122,528.07 to the above-mentioned suppliers.

Among them, ZWZ Precision Forging Co., Ltd. and Wafangdian Bearing Group Windpower Bearing Co., Ltd. should be paid a total of RMB 24,856,000, and the remaining 12 suppliers should be paid a total of RMB 12,266,528.07.

After accounting with the financial staff of one customer, the Company shall receive the bearing payment of RMB 142,305.99 from the above-mentioned customer.

2. Main contents of the debt restructuring plan

After communicating and negotiating with the creditors, according to the Debt Restructuring Agreement respectively signed by the Company and 17 suppliers, in line with the principle of mutually beneficial cooperation, the creditors agreed to abandon the creditor's rights of part of the payment for goods, and the remaining payment could be paid to the creditors by the company in the form of commercial papers and bank deposits. After the creditors received the payment, the credit and debt of both parties involved in the contract are settled, and there are no other economic disputes.

From January to June 2018, the company completed debt restructuring of 37,122,528.07 Yuan, actually paid 35,665,576.06 Yuan for payment for goods, and realized debt restructuring income of 1,456,952.01 Yuan, of which ZWZ Precision Forging Co., Ltd. and Wafangdian Bearing Group Windpower Bearing Co., Ltd. realized debt restructuring income of 856,000.00 Yuan, and the remaining 15 suppliers realized a total debt restructuring income of 600,952.01 Yuan.

After the debtors communicated and negotiated with the Company, according to the Debt Restructuring Agreement signed by the Company with one customer, the company agreed to abandon the creditor's rights of part of the bearing payments in accordance with the principle of cooperation and reciprocity. From January to June 2018, the company completed debt restructuring of 142,305.99 Yuan, actually received payment of 56,922.40 Yuan, and debt restructuring losses were 85,383.59 Yuan.

3. There is no case involving underlying assets such as repaying debts with non-cash assets in this debt restructuring.

IV Other arrangements for debt restructuring

This debt restructuring does not involve follow-up arrangements such as personnel placement, land lease, related transactions, horizontal competition and so on.

V The reason, purpose of debt restructuring and its impact on the company

The main reason accounting for the debt reorganizations is the capital shortage of the Company in a short

run due to the impact of general market conditions. In order to mitigate capital pressure, the suppliers agreed the Company to make payments to them at certain discounts which are determined after arm's length negotiation between the parties subject to the acceptable level for their operations. Save as those as agreed in the reorganization agreements, there is no other agreement or arrangement disclosed. Debt reorganization involving related parties shall not be viewed as equity transaction.

The subsequent payment arrangement will be made by the Company taking into account (i) the amount owed to the suppliers as of the settlement period; (ii) actual collection of capital of the Company during the period. The capital is mainly sourced from the actual capital collected by the Company from sales of bearing products, which belongs to normal capital payment business, thus brings no impact on the Company's normal operation.

Through debt restructuring, the company further sorted out its credit and debt relationship, relieved the capital pressure, eased the company's debt burden, optimized the debt structure, improved the company's financial status, and helped the company's business development.

According to the relevant provisions of the Accounting Standards for Business Enterprises, the income of RMB 1,371,568.42 from this debt restructuring will be included in non-operating income.

VI Documents for reference

1. Board Resolution.
2. Resolution of the Board of Supervisors.
3. Independent director's opinion.
4. Other documents required by the Shenzhen Stock Exchange.

Hereby notified

**Board of director of Wafangdian bearing
Company limited
Aug 22. 2018**